

Tambun Indah Land (TILB MK)

Property- Real Estate
Market Cap: USD260m

Buy (Maintained)

Target Price: MYR2.50

Price: MYR2.11

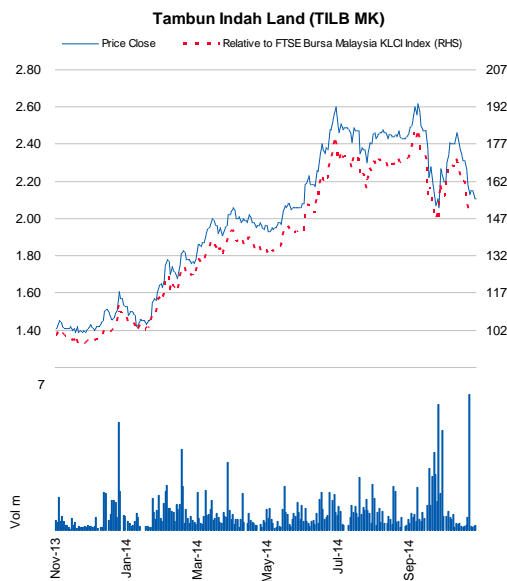
Unbilled Sales Underpin Resilient Earnings

Macro

Risks

Growth

Value



Source: Bloomberg

Avg Turnover (MYR/USD)	2.29m/0.71m
Cons. Upside (%)	20.9
Upside (%)	18.5
52-wk Price low/high (MYR)	1.39 - 2.62
Free float (%)	50
Share outstanding (m)	412
Shareholders (%)	
Ir. Teh Kiak Seng	39.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	39.7	(7.1)	(12.5)	8.8	49.6
Relative	42.6	(8.5)	(9.9)	12.5	48.4

Shariah compliant

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Tambun's 3Q14 results were within expectations. Maintain BUY with a MYR2.50 TP (18.5% upside). Due to a lack of new launches in 3Q, new sales fell to MYR74m, from MYR149m in 2Q. We expect Tambun to end the year with MYR430m in sales (vs MYR500m in FY13). Although the recent land deal was called off, we remain confident of management's ability and expect some new land parcels to be secured next year.

- ◆ **Within expectations.** Tambun Indah's (Tambun) 3Q14 results came in within our and market expectations. While topline fell 8.7% QoQ due to a lack of new product launches as a result of delays in the approval process, net earnings were flat due to the absence of provision made for supplemental development costs on low-cost housing projects in 2Q14 (amounted to MYR29.6m). Meanwhile, Pearl City remained the key contributor, making up 67.8% of total property development turnover in 3Q14 (vs 73% in 2Q14). The average take-up rate for the township reached 86.9%. A 3 sen single-tier interim dividend was declared during the quarter, which is higher than the payout of 2 sen last year.
- ◆ **New sales fell in 3Q.** New sales in 3Q fell to MYR74.1m from MYR149m in 2Q, bringing 9M total new sales to MYR348.1m. The slower sales were mainly due to a lack of new launches in 3Q, as approvals for some projects are still pending. The key contributors were Pearl Harmoni (MYR102m), Pearl Residence (MYR53m), Camellia Park (MYR38.7m), and Bukit Residence (MYR46.3m). We estimate that Tambun will likely end the year with MYR430m sales (vs MYR500m in FY13), largely in line with our forecast. Thus far, Pearl Avenue 2, with a GDV of MYR45m, has been launched in 4Q. The commercial shops have achieved a take-up rate of 70%.
- ◆ **Forecasts.** We make no changes to our earnings forecasts. Unbilled sales declined slightly to MYR457.3m from MYR493m in 2Q.
- ◆ **Maintain BUY.** Although the company has recently terminated a deal to buy 210 acres of land and hence lost RNAV enhancement, given management's strength and track record, we believe Tambun can embark on other landbanking opportunities. The investment angle for Penang mainland remains encouraging, which should translate into a meaningful double-digit earnings growth over the next two years for Tambun due to rising housing demand. We maintain our BUY rating and MYR2.50 TP, implying an 18.5% upside.

Forecasts and Valuations	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover (MYRm)	297	376	466	580	673
Reported net profit (MYRm)	41	65	98	117	134
Recurring net profit (MYRm)	41	65	98	117	134
Recurring net profit growth (%)	74.6	59.2	51.1	18.9	14.7
Recurring EPS (MYR)	0.13	0.16	0.24	0.28	0.31
DPS (MYR)	0.05	0.06	0.09	0.10	0.11
Recurring P/E (x)	16.1	12.8	8.8	7.5	6.7
P/B (x)	2.94	2.68	2.25	1.90	1.61
Dividend Yield (%)	2.2	2.9	4.2	4.8	5.4
Return on average equity (%)	21.6	24.4	28.4	27.6	26.2
Return on average assets (%)	10.7	13.8	16.4	15.3	15.2
Net debt to equity (%)	(4.6)	(8.9)	17.6	6.5	(4.0)
Our vs consensus EPS (adjusted) (%)			1.3	(2.9)	4.4

Source: Company data, RHB

Figure 1: Tambun's quarterly results table

FYE Dec (MYRm)	3Q13	2Q14	3Q14	QoQ (%)	YoY (%)	9M13	9M14	YoY (%)	Comments
Turnover	97.1	128.0	116.8	(8.7)	20.3	258.0	356.8	38.3	Lower revenue was due to slower product launches in 3Q14.
EBIT	32.0	34.5	36.7	6.3	14.7	82.9	106.9	28.9	Margin was higher as a provision for supplemental development costs on low-cost housing projects was made in 2Q14.
EBIT margin (%)	32.9	26.9	31.4			32.1	30.0		
Net interest	(1.2)	(1.6)	(2.0)	26.6	65.8	(2.6)	(4.9)	85.2	
Pretax profit	31.2	33.1	34.8	5.1	11.5	81.4	103.1	26.6	
Pretax margin (%)	32.1	25.8	29.8			31.6	28.9		
Taxation	(7.7)	(7.4)	(9.0)	22.2	17.7	(21.9)	(26.2)	19.7	
Tax rate (%)	24.5	22.3	25.9			26.9	25.5		
Minority interest	(6.3)	(0.3)	(0.2)	(16.9)	(96.5)	(16.6)	(0.6)	(96.3)	
Net profit	17.2	25.4	25.5	0.4	48.4	42.9	76.3	77.7	Within expectations.
Net margin (%)	17.7	19.9	21.9			16.6	21.4		
EPS (sen)	5.2	6.3	6.2	(1.9)	19.2	13.4	19.0	41.1	
Gross DPS (sen)	2.0	0.0	3.0			2.0	3.0		
NTA/share (MYR)	0.8	0.9	0.9			0.8	0.9		

Source: Company, RHB

Figure 2: RNAV breakdown

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9.5%
<u>Ongoing projects</u>				
BM Residence	57.4		100%	11.0
Straits Garden	237.8		100%	52.0
Pearl Residence	223.5		100%	41.2
Pearl Impian	90.0		100%	17.3
Pearl Avenue (Ph. 1)	82.6		100%	26.7
<u>Remaining projects</u>				
Taman Bukit Residence	63.7	8.0	100%	12.3
Camellia Park	50.0	3.3	100%	9.2
Permai Residence	24.2	3.9	50%	2.3
Pearl Avenue (Ph. 2)	34.9	4.1	100%	11.1
Pearl Harmoni	122.4	21.6	100%	23.6
Rain Tree Park 1	135.8	25.1	100%	27.3
Rain Tree Park 2	173.4	30.1	100%	41.6
Pearl Tropika	86.5	20.3	100%	17.4
Pearl City - other phases	2,310.6	385.1	100%	386.0
Total				679.34
Shareholders' fund				351.04
Warrants proceed				26.52
Total RNAV				1,056.90
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.50
Discount				0%
Fair value per share				2.50

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total turnover	297	376	466	580	673
Cost of sales	(193)	(240)	(296)	(376)	(446)
Gross profit	104	137	170	203	227
Gen & admin expenses	(24)	(21)	(31)	(36)	(39)
Other operating costs	2	3	3	3	3
Operating profit	81	118	142	171	190
Operating EBITDA	81	119	143	172	191
Depreciation of fixed assets	(1)	(1)	(1)	(1)	(1)
Operating EBIT	81	118	142	171	190
Net income from investments	1	2	-	-	-
Interest expense	(2)	(3)	(4)	(8)	(8)
Pre-tax profit	79	118	138	163	182
Taxation	(22)	(30)	(38)	(45)	(48)
Minority interests	(16)	(23)	(2)	(1)	(0)
Profit after tax & minorities	41	65	98	117	134
Reported net profit	41	65	98	117	134
Recurring net profit	41	65	98	117	134

Source: Company data, RHB

Cash flow (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Operating profit	81	118	142	171	190
Depreciation & amortisation	1	1	1	1	1
Change in working capital	24	(24)	(21)	(27)	(22)
Other operating cash flow	3	(4)	(18)	(10)	(9)
Operating cash flow	108	91	104	135	160
Interest paid	(2)	(3)	(4)	(8)	(8)
Tax paid	(22)	(30)	(38)	(45)	(48)
Cash flow from operations	84	58	62	83	104
Capex	(45)	(7)	(150)	(20)	(20)
Other investing cash flow	(8)	(15)	-	-	-
Cash flow from investing activities	(53)	(21)	(150)	(20)	(20)
Dividends paid	(12)	(14)	(24)	(36)	(43)
Proceeds from issue of shares	42	46	-	-	-
Increase in debt	6	14	-	-	-
Other financing cash flow	(10)	(58)	12	10	11
Cash flow from financing activities	26	(12)	(11)	(26)	(32)
Cash at beginning of period	39	96	126	130	168
Total cash generated	57	24	(99)	36	52
Forex effects		6			
Implied cash at end of period	96	126	27	166	220

Source: Company data, RHB

Financial Exhibits

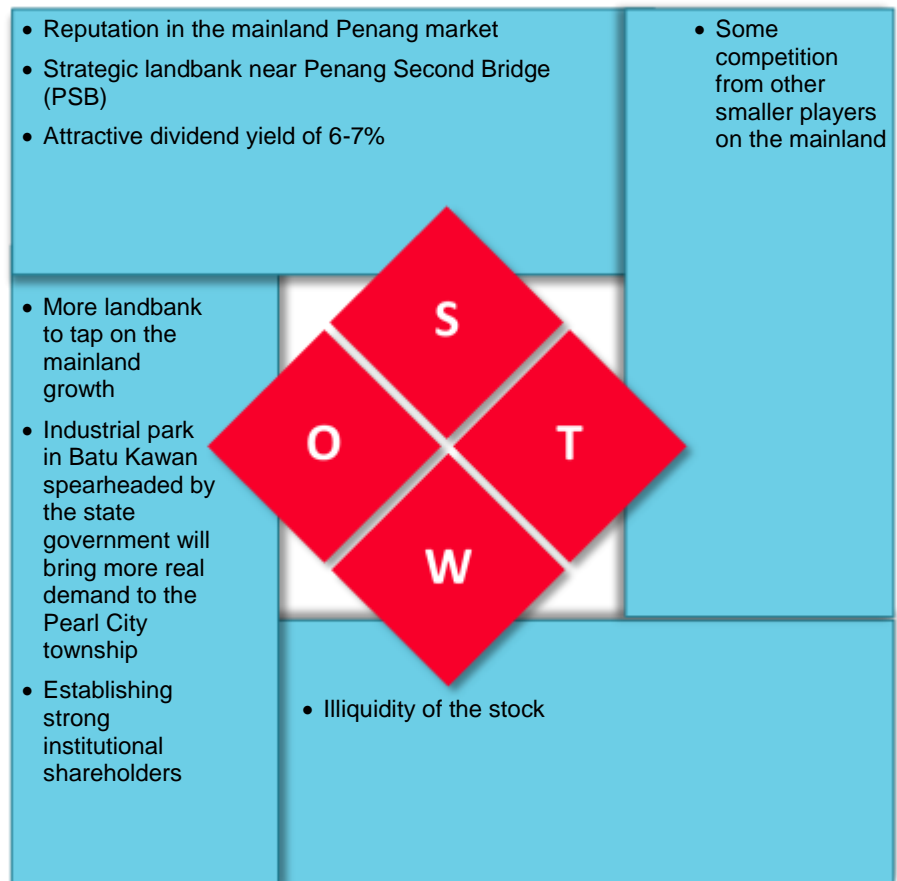
Balance Sheet (MYRm)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Total cash and equivalents	96	126	130	168	221
Inventories	129	125	155	193	224
Accounts receivable	71	87	107	133	155
Other current assets	1	2	2	2	2
Total current assets	297	340	394	496	602
Total investments	5	7	7	7	7
Tangible fixed assets	140	146	295	314	333
Total other assets	1	4	4	4	4
Total non-current assets	146	157	306	325	344
Total assets	444	497	700	821	946
Short-term debt	7	25	25	25	25
Accounts payable	93	81	111	148	178
Other current liabilities	3	4	4	4	4
Total current liabilities	103	110	139	176	207
Total long-term debt	77	73	173	173	173
Other liabilities	2	0	0	0	0
Total non-current liabilities	79	74	174	174	174
Total liabilities	182	183	313	350	381
Share capital	155	197	204	209	214
Retained earnings reserve	60	48	113	190	279
Other reserves	8	65	65	65	65
Shareholders' equity	223	310	382	464	558
Minority interests	39	4	5	7	7
Other equity	-	(0)	-	0	(0)
Total equity	262	314	388	471	565
Total liabilities & equity	444	497	700	821	946

Source: Company data, RHB

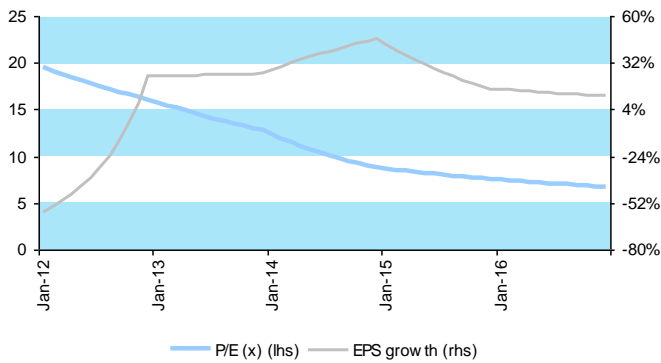
Key Ratios (MYR)	Dec-12	Dec-13	Dec-14F	Dec-15F	Dec-16F
Revenue growth (%)	54.8	26.8	23.9	24.3	16.0
Operating profit growth (%)	72.6	46.6	20.1	20.1	11.5
Net profit growth (%)	74.6	59.2	51.1	18.9	14.7
EPS growth (%)	24.1	25.6	46.2	16.1	12.0
Bv per share growth (%)	2.2	9.5	19.3	18.6	17.4
Operating margin (%)	27.2	31.4	30.4	29.4	28.3
Net profit margin (%)	13.7	17.3	21.1	20.1	19.9
Return on average assets (%)	10.7	13.8	16.4	15.3	15.2
Return on average equity (%)	21.6	24.4	28.4	27.6	26.2
Net debt to equity (%)	(4.6)	(8.9)	17.6	6.5	(4.0)
DPS	0.05	0.06	0.09	0.10	0.11
Recurrent cash flow per share	0.27	0.15	0.15	0.20	0.24

Source: Company data, RHB

SWOT Analysis

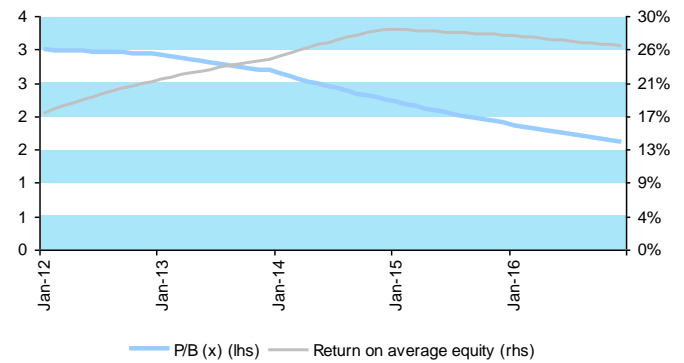


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Tambun Indah Land Bhd is a developer based in Penang mainland. Its flagship township Pearl City is located at Simpang Ampat, 15-minute away from the PSB.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-11-12	Buy	2.50	2.13
2014-08-20	Buy	3.00	2.45
2014-07-13	Buy	3.00	2.37
2014-06-05	Buy	3.00	2.06
2014-04-15	Buy	2.50	1.96
2014-02-27	Buy	2.20	1.72
2013-12-13	Buy	2.08	1.40
2013-11-20	Buy	2.05	1.45
2013-11-14	Buy	2.05	1.41
2013-09-25	Buy	2.00	1.38

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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